

## **CCXAP affirms Shandong Quanhui Industrial Development Co., Ltd.'s long-term credit rating at BBB<sub>g</sub>, with stable outlook.**

Hong Kong, 20 April 2026 – China Chengxin (Asia Pacific) Credit Ratings Company Limited (“CCXAP”) has affirmed the long-term credit rating of Shandong Quanhui Industrial Development Co., Ltd. (“QHID” or the “Company”) at BBB<sub>g</sub>, with stable outlook.

The BBB<sub>g</sub> long-term credit rating of Shandong Quanhui Industrial Development Co., Ltd. (“QHID” or the “Company”) reflects the Company’s (1) important role in the development of blower industry in Zhangqiu District; and (2) supplementary income benefited from a relatively diversified business structure. However, the rating is constrained by the Company’s (1) relatively weak profitability with low return on assets; (2) rising debt level with weak credit metrics; and (3) medium contingent liability risk associated with large external debt guarantees.

The rating also reflects a high likelihood of support from its parent company when needed, given the Company’s (1) ultimate control by the Finance Bureau of Zhangqiu District; (2) status as the core subsidiary in industrial investment of Jinan Zhangqiu Holding Group Co., Ltd. (“ZQHG”); (3) important role in industrial development in Zhangqiu District; and (4) good track record of receiving ongoing parental support.

### **Corporate Profile**

Founded in 2019, QHID became an important comprehensive state-owned enterprise in Zhangqiu District after the consolidation of some local state-owned enterprises in 2023. The Company’s diversified businesses scope covers production and sales of blowers, industrial parks development and operation, engineering services, equity investment, guarantee business, as well as hotel management in Zhangqiu District. In August 2024, the Company’s equity holding in Zhangqiu Huinong New Rural Construction Investment and Development Co., Ltd. (“Huinong New Rural”), which was mainly responsible for resettlement housing construction, was transferred out for the purpose of strengthening the Company’s position in industrial development in Zhangqiu District. In November 2024, ZQHG transferred 20% of QHID’s shares to Jinan Shanyun Industry Group Co., Ltd. (“SYIG”), a state-owned enterprise in Zhangqiu Mingshui Economic and Technological Development Zone of Zhangqiu District. In December 2025, ZQHG further transferred 6% of QHID’s shares to SYIG and 14% of QHID’s shares to Jinan Quanyun Industry Co., Ltd. (“JNQY”). SYIG and JNQY are state-owned enterprises in Zhangqiu Mingshui Economic and Technological Development Zone of Zhangqiu District. As of 30 September 2025, the controlling shareholder of the Company was ZQHG, who is the largest local infrastructure investment and financing company (“LIIFC”) in Zhangqiu District, and the ultimate controller remained to be the Zhangqiu District Government.

### **Rating Rationale**

#### **Credit Strengths**

**Important role in the development of blower industry in Zhangqiu District.** QHID conducts production and sales of blowers through its subsidiary Shandong Zhangqiu Blower Co., Ltd.



(“Zhangqiu Blower”, Stock Code: 002598.SZ). Zhangqiu Blower has a relatively strong industry position and technical strength in the field of roots blower. In recent years, Zhangqiu Blower has successfully researched and developed new technologies for producing ceramic slurry pumps and intelligent slurry pumps. We expect the future production of Zhangqiu Blower will generate stable revenue to the Company.

**Supplementary income benefited from a relatively diversified business structure.** The Company’s diversified businesses scope also covers industrial parks development and operation, engineering services, equity investment, guarantee business, as well as hotel management in Zhangqiu District. Diversified business structure brings supplementary income to the company while improving its overall competitiveness.

**High likelihood to receive support from the parent company.** Given its regional significance in the industrial development of Zhangqiu District, QHID has a good track record of receiving support from its parent company ZQHG, including equity transfer, financial subsidies, and loan guarantee. In addition, ZQHG maintains a high degree of control over the operations of QHID, including the formulation of business strategies and the appointment of the Board of Directors and key management personnel. We believe that QHID will receive ongoing support from its parent company ZQHG, given its important position in local economic and industrial development.

#### **Credit Challenges**

**Relatively weak profitability with low return on assets.** QHID has maintained a revenue growth over the past three years with increased revenue from hotel management and blower products. However, the profitability of QHID is relatively weak, indicated by the low EBIT margin and return on asset ratio. We expect the Company’s profitability to retain weak over the next 12 to 18 months.

**Rising debt level with weak credit metrics.** Due to the continuing investment in its construction projects, QHID’s total debt has increased over the past years. As of 30 September 2025, the Company’s total debt increased to RMB11.2 billion from RMB2.8 billion as of end-2023. QHID’s stand-alone debt servicing metrics are relatively weak given its moderate profitability, as reflected by its low EBITDA coverage ratio and total debt/EBITDA ratio. Considering the future investment in industrial park construction, its debt scale may further increase in the future.

**Medium contingent liability risk associated with large external debt guarantees.** The credit profile of QHID is constrained by its large amount of external guarantees, which could potentially increase its repayment obligations. As of 30 September 2025, the Company had an outstanding amount of external guarantees of RMB4.4 billion, accounting for 43.3% of the net assets, of which RMB521.9 million was arising from the Company’s guarantee business, with relatively high compensation rate.

### **Rating Outlook**

The stable outlook on QHID's rating reflects our expectation that the Company will maintain its regional competitiveness and importance in the industrial development of Zhangqiu District over the next 12 to 18 months. We also expect that the Company will continue to receive ongoing support from ZQHG.

#### **What could upgrade the rating?**

The rating could be upgraded if (1) the Company's business strength improves, such as stable operating cash flow from more diversified business segments; or (2) the Company's stand-alone credit profile improves significantly, such as improvement in asset liquidity and profitability.

#### **What could downgrade the rating?**

The rating could be downgraded if (1) the likelihood of parental support for the Company decreases; or (2) the Company's stand-alone credit profile weakens significantly, such as a deterioration in financial leverage or weakened liquidity position.

### **Rating Methodology**

The methodology used in this rating is the Rating Methodology for [General Corporate \(April 2019\)](#).

### **Regulatory Disclosures**

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